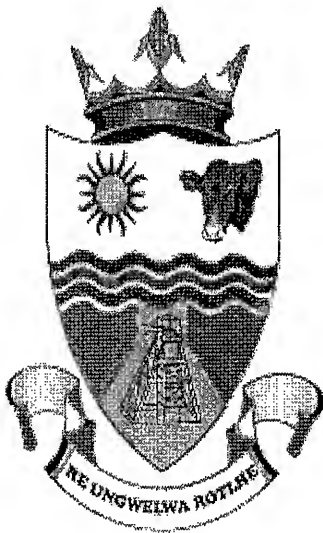


DRAFT BUDGET OF JOE MOROLONG LOCAL MUNICIPALITY



JOE MOROLONG
LOCAL MUNICIPALITY

(NC 451)

2014/15 TO 2016/17 MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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- At www.treasury.gov.za
- At www.joemorolong.gov.za

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Glossary

Adjustments Budget – Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.

Rates – Local Government tax based on the assessed value of a property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.

R&M – Repairs and maintenance on property, plant and equipment.

SCM – Supply Chain Management.

SDBIP – Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

Allocations – Money received from Provincial or National Government or other municipalities.

AFS- Annual Financial Statements

Budget – The financial plan of the Municipality.

Budget Related Policy – Policy of a municipality affecting or affected by the budget, examples include tariff policy, rates policy and credit control and debt collection policy.

Capital Expenditure - Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's Statement of Financial Performance.

Cash Flow Statement – A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month it is received, even though it may not be paid in the same period.

CFO - Chief Financial Officer

DORA – Division of Revenue Act. Annual legislation that shows the total allocations made by national to provincial and local government.

Equitable Share – A general grant paid to municipalities. It is predominantly targeted to help with free basic services.

Fruitless and wasteful expenditure – Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

GFS – Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

GRAP – Generally Recognised Accounting Practice. The new standard for municipal

accounting and basis upon which AFS are prepared.

IDP – Integrated Development Plan. The main strategic planning document of the Municipality

KPI's – Key Performance Indicators. Measures of service output and/or outcome.

MFMA – The Municipal Finance Management Act – No. 53 of 2003. The principle piece of legislation relating to municipal financial management.

MTREF – Medium Term Revenue and Expenditure Framework. A medium term financial plan, usually

3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous three years and current years' financial position.

NT – National Treasury

Operating Expenditure – Spending on the day to day expenses of the Municipality such as salaries and wages

Rates – Local Government tax based on the assessed value of a property. To determine rates payable, the assessed rateable value is multiplied by the rate in the rand.

R&M – Repairs and maintenance on property, plant and equipment.

SCM – Supply Chain Management.

SDBIP – Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

Unauthorised expenditure – Generally, spending without, or in excess of, an approved budget.

Vote – One of the main segments into which a budget is divided. In Joe Morolong Local Municipality this means at directorate level.

PART 1

MAYORAL BUDGET SPEECH

Speaker, members of the Executive Committee, Councilors, Municipal Manager, other Senior Manager, guests, ladies and gentlemen, good morning to you all. Speaker, the Joe Morolong Local Municipality is again for 2014/2015 budget year set the task to provide sustainable and economically viable local governance to our communities.

We find ourselves in a phase of economic difficulties and the provision of affordable and sustainable, quality services to all our communities remain high on the agenda. We find ourselves in a position where we have to continuously adapt our strategies to suit prevailing economic circumstances as we cannot isolate ourselves from the national and global economy.

The average inflation rate for the past year was 5.7% and the headline inflation forecast for forth coming financial year is estimated to be 6.2%, 5.9% and 5.5% respectively for 2015/16 and 2016/17.

It is with the aforementioned figures in mind that we still place strong emphasis on; value for money in all our procurement processes, the encouragement of savings and the maximizing of all revenue sources for the 2014/15 financial year, as we are still striving to secure the economic progression of the municipality.

The budget I am tabling here today was prepared in accordance with the prescripts of the Municipal Finance Management Act, (Act 56 of 2003) and complies with Generally Recognized Accounting Practice as applicable to Local Government. The budget was compiled, taking into account the Macro-economic growth parameters and also addresses the National Policy frameworks and provincial priorities including the following:

- Building of capacity for long term growth through investment in infrastructure
- Focus on core service delivery activities of local government
- Job creation and sustainable economic growth

- Participation in expanded public works programs and labour intensive projects.
- Protection of the poor through viable local economic development and strengthening of the social safety net.
- Effective and participative management through the regional management model.
- Maintaining of debt levels through debtor management as well as maximizing sources of revenue.
- Securing the health of the municipal asset base by increasing spending on repairs and maintenance.

The following underlying factors were also taken into consideration with the compilation of the 2014/15 budget:

- ✓ The National Policy framework with regards to basic service delivery to all our communities.
- ✓ External factors having a direct impact on the budget such as the Eskom tariff increase of 8.06%, bulk water tariff increase of 8.80%, consumer inflation, the multi-year wage agreement that have been concluded between organized labour as well as other cost factors influencing service delivery.

FOCUS OF THE 2014/2015 BUDGET

With the 2014/15 budget, emphasis is placed on the core service delivery obligations assigned to the municipality in the constitution.

- ✓ Maintenance and renewal of existing infrastructure should enjoy preference and we are focusing on preventative and scheduled maintenance preceded by proper planning processes.
- ✓ Innovative service delivery mechanisms such as the building of internal capacity to get more value for budget allocations.
- ✓ Provision of much needed infrastructure to ensure the economic progression of our communities
- ✓ Provision of basic services, improvement of the quality infrastructures well as sustainable service delivery.

CAPITAL BUDGET

The capital budget flows from the IDP process and contains information obtained from relevant stakeholders and communities through a public participation process as well as ward committee processes where applicable. The capital budget for the 2014/2015 financial year amounts to R 132.4 Million with the main focus on the following:

➤ Provision of water	R 73.9 Million
➤ Roads	R 16.8 Million
➤ Sanitation	R 15.0 Million
➤ Traffic Testing Centre	R 1.4 Million
➤ Sports & Recreations	R 8.6 Million
➤ Community Halls	R 7.0 Million
➤ Cemeteries	R 2.7 Million
➤ Vehicle	R 0.7 Million
➤ Water Delivery & Sewerage Truck	R 2.1 Million
➤ Motor Grader and Caravan	R 2.9 Million
➤ Computers, Offices Equipment & Other	R 0.5 Million
➤ Municipal Office Fencing	R 0.5 million
➤ Office Partitioning	R 0.3 Million

Capital projects for the 2014/15 financial year are funded from grants receivable from the National Government amounting to R 104.2 Million and own funding to the amount of R 28.2 Million.

IN CONCLUSION

The budget we are tabling here today is another step closer in attaining the strategic goals of the municipality which includes amongst others, institutional development and transformation, service delivery to all our communities, the financial viability and sustainability of the municipality as well as good administration and public participation.

Thank you to the Municipal Manager who I believe has done an excellent job in leading the administration in the direction we both wish to move in and to the Directors and staff for their continued hard work in delivering services in line with the

municipality's vision of "A wealthy and prosperous local community with equal access to basic services and sustainable development opportunities".

I would like to thank Councillors who have a difficult task of balancing community expectation with limited resources.

I THANK YOU

M.D Moremi

MAYOR

Council's Budget Resolution

- ❖ Council of Joe Morolong Local Municipality, acting in terms of section 24 of the Municipality Finance Management Act: Act 56 of 2003, approves and adopt the Annual Budget for 2014/15 financial year and single-year capital appropriations as set-out in the core table contained in the bound budget document with effect from the a 1 July 2014.
 - ✓ Table A2: Budgeted Financial Performance (expenditure by standard classification)
 - ✓ Table A3: Budgeted Financial Performance (expenditure by municipal vote)
 - ✓ Table A4: Budgeted Financial Performance (revenue by source)
 - ✓ Table A5: Budgeted Capital Expenditure for both multi-year and single year appropriations by vote, standard classification and funding
- ❖ The council also, acting in terms of Section 75A of the municipality System Act, Act 32 of 2000, adopted with effect from 1 July 2014.
 1. Tariffs for property rates, electricity, water supply, sanitation services and solid waste services and tariffs for other services.
 2. And the Council of Joe Morolong approved cash backing implemented through the utilisation of bulk services fees and portion of revenue generated from property rates to ensure cash backing for unspent conditional grants for effectiveness to the Municipal budget as required

by the legal prescripts, Section 8 of the municipality Budget and Reporting Regulations.

DRAFT POLICIES TABLED TO COUNCIL ALONG-SIDE WITH THE BUDGET:

- a) Property Rates Policy
- b) Banking and Investment Policy
- c) Budget, Funding, Reserves & Virement Policy
- d) Credit Control and Debt Collection Policy
- e) Fixed Assets Policy
- f) Indigent Policy
- g) Risk Management Policy
- h) Supply Chain Management Policy
- i) Tariffs Policy
- j) Fruitless and Wasteful Expenditure Policy
- k) Cash Shortage Policy
- l) Bad Debt Write Off Policy

DRAFT BUDGET RESOLUTION: 188/2013/14

1.1 Executive Summary

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all members of communities.

The municipality's service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on "nice to have" items in order to save money and improve service delivery. Key areas where savings were realized were on telephone and internet usage, workshops payment, travelling and accommodation and catering.

❖ **National Treasury's MFMA Circular No. 67 and 70 was used to guide the compilation of the 2014/15 MTREF.**

➤ **The main challenges experienced during the compilation of the 2014/2015 MTREF can be summarized as follows:**

- ✓ The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities and cash position of the municipality;
- ✓ Elimination of non-priority expenditure that does serve the interest of service delivery to communities
- ✓ The municipality's inability to generate enough own revenue to assist the infrastructure challenges in our communities.
- ✓ Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- ✓ Affordability of capital projects

❖ **The following budget principles and guidelines directly informed the compilation of the 2014/15 MTREF:**

- ✓ The 2013/14 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2014/15 annual budget
- ✓ The budget was prepared on a zero base principle and some of the operational expenses such as advertising, some contracted services and fuel expenses were prepared based on the 2014/2015 financial year performance.
- ✓ The 2013/14 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2014/15 draft budget;
- ✓ Intermediate service level standards were used to inform the, targets and backlog eradication goals;
- ✓ Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs. For the next financial year, tariffs and property rates have been increased and there are two separate tariffs and rates applicable to municipality; being the one for businesses and the other for residential
- ✓ There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Bill;
- ✓ Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- ✓ There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in

the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2013/14 Medium-term Revenue and Expenditure Framework:

Table 1 Overview of the 2014/15 MTREF

	Adjustment Budget 2013/14 R '000	Budget Year 2014/15 R '000	Budget Year +1 2015/16 R 000	Budget Year +2 2016/17 R 000
Total Operating Revenue	R 127,663	R 134,662	R 161,456	R 166,546
Total Operating Expenditure	R 115,255	R 106,489	R 124,779	R 131,813
(Surplus)/Deficit for the year	R 12,408	R 28,173	R 36,677	R 34,733
Total Capital Expenditure	R 119,485	R 132,378	R 153,075	R 166,721

Total operating revenue has grown by R 7, 0 million for the 2014/15 financial year when compared to the 2013/14 Adjustments Budget. For the two outer years, operational revenue will increase by R 26.8 million and R 5.1 million respectively, equating to a total revenue growth of R 38.9 million over the MTREF when compared to the 2013/14 financial year.

Total operating expenditure for the 2014/15 financial year has been appropriated at R 106.5 million and translates into a budgeted surplus of R28.2 million. When compared to the 2013/14 Adjustments Budget, operational expenditure has declined by R8.8 million in the 2014/15 budget as result of operational grants that the municipality did receive in 2013/14 financial year and won't receive any longer and will increase by R18.3 million and R7.0 million for each of the respective outer years of the MTREF. The operating surplus for the two outer years steadily increases to R36.7 million and then stabilise at R34.7 million. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R132.4 million for 2014/15 is 10 per cent more when compared to the 2013/14 Adjustment Budget. The increase is due to the increasing of Municipal Water Infrastructure Grant which increase from R 7.0 million in 2013/14 to R 50 million in 2014/15. The capital programme increases to R153.1 million in the 2015/16 financial year and R166.7 million in 2016/17. The capital budget will be funded from government grants and internally generated funds (surplus) over MTREF.

1.2. Operating Revenue Framework

For Joe Morolong local Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality.

The reality is that we are faced with development backlogs, poverty and high unemployment.

The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Trading services are fully cost-reflective and ring-fenced;
- Determining the tariff escalation rate by calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of subsidised services; and
- Tariff policies of the municipality.

The following table is a summary of the 2014/15 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description R thousand	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source										
Property rates	–	3,116	6,786	11,684	11,684	11,684	11,684	7,194	7,582	7,991
Property rates - penalties & collection charges										
Service charges - electricity revenue	–	7,467	5,177	6,751	6,751	6,751	6,751	7,249	7,785	8,360
Service charges - water revenue	–	6,295	10,253	5,783	5,783	5,783	5,783	6,419	7,125	7,909
Service charges - sanitation revenue	–	(1,844)	1,141	839	1,424	1,424	1,424	1,510	1,591	1,677
Service charges - refuse revenue	–	729	652	571	863	863	863	915	964	1,016
Service charges - other										
Rental of facilities and equipment	–	37	171	66	258	258	258	95	98	101
Interest earned - external investments	893	1,303	3,508		450	450	450			
Interest earned - outstanding debtors								50	53	56
Dividends received										
Fines										
Licences and permits										
Agency services										
Transfers recognised - operational	37,911	62,589	77,609	94,721	99,530	99,530	99,530	110,611	135,372	138,533
Other revenue	377	23,451	3,084	920	920	920	920	619	885	902
Gains on disposal of PPE										
Total Revenue (excluding capital transfers and contributions)	39,180	103,145	108,381	121,334	127,663	127,663	127,663	134,662	161,456	166,546

The following table gives a breakdown of source of income by categories for the year 2014/15 financial year

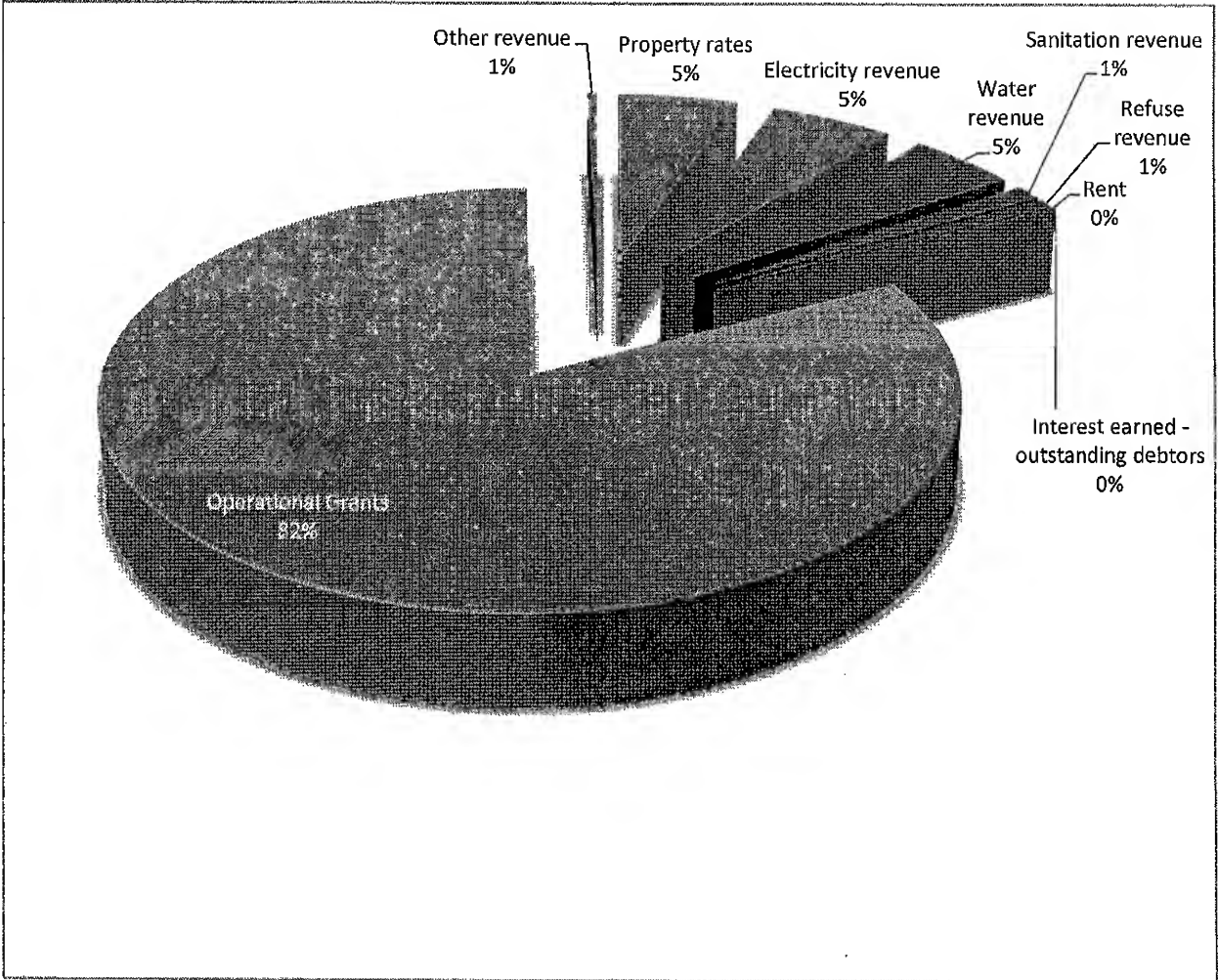


Table 3 Percentage growth in revenue by main revenue source

Description R thousand	Current Year 2013/14		2014/15 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2014/15	%	Budget Year +1 2015/16	%	Budget Year +2 2016/17	%
Revenue By Source								
Property rates	11,684	9.14%	7,194	5.34%	7,582	4.70%	7,991	4.80%
Property rates - penalties & collection charges								
Service charges - electricity revenue	6,751	5.28%	7,249	5.38%	7,785	4.82%	8,360	5.02%
Service charges - water revenue	5,783	4.52%	6,419	4.77%	7,125	4.41%	7,909	4.75%
Service charges - sanitation revenue	1,424	1.11%	1,510	1.12%	1,591	0.99%	1,677	1.01%
Service charges - refuse revenue	863	0.67%	915	0.68%	964	0.60%	1,016	0.61%
Service charges - other								
Rental of facilities and equipment	258	0.05%	95	0.07%	98	0.06%	101	0.06%
Interest earned - external investments	450	0.15%						
Interest earned - outstanding debtors			50	0.04%	53	0.03%	56	0.03%
Dividends received								
Fines								
Licences and permits								
Agency services								
Transfers recognised - operational	99,530	77.99%	110,611	82.14%	135,372	83.84%	138,533	83.18%
Other revenue	920	0.72%	619	0.46%	885	0.55%	902	0.54%
Gains on disposal of PPE								
Total Revenue (excluding capital transfers and contributions)	127,663	100%	134,662	100%	161,456	100%	166,546	100%
Total revenue from rates and services charges	26 505	20.73%	23 286	17.29%	25 048	15.5%	26 954	16.18%

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

The municipality's revenue from operating grants and transfers totals R110,6 million in 2014/15 and steadily increases to R138.5 million by 2016/17 which translates to 82% in 2014/15 and increases to 83% by 2016/17 of total revenue of municipality generated from grants, the revenue from operating grants form a significant percentage of the revenue basket for the Joe Morolong Local Municipality. The decrease in property rates revenue in relation to previous financial year performance and the issues where we can't locate the owner of the property. The municipality has commenced of updating valuation roll. In terms of services charges mainly water municipality is busy installing the meters in all government sector department (e.g. schools, clinics, etc.) where they have been receiving water for free and

decided to install prepaid meter for all new water projects that they undertake in order to manage water usage. Rates, service charges and other revenues comprise 17 percent in 2014/15 and 16 and 16 percent of the total revenue mix respectively in 2015/16 and 2016/17.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
RECEIPTS:									
<u>Operating Transfers and Grants</u>									
National Government:	54 893	61 379	77 386	92 220	92 220	92 220	107 758	132 404	135 434
Local Government Equitable Share	47 483	54 260	67 506	80 780	80 780	80 780	93 255	114 787	117 715
Water Services Operating Subsidy	5 460	3 875	1 875	8 000	8 000	8 000	10 000	15 000	15 000
Finance Management	1 200	1 887	1 500	1 550	1 550	1 550	1 600	1 650	1 7000
Municipal Systems Improvement	750	965	800	890	890	890	934	967	1 019
EPWP Incentive		393	5 705	1 000	1 000	1 000	1 000		
Other transfers/grants [insert description]									
Provincial Government:	290	684	223	436	5 245	5 792			
Sport and Recreation	290	684	223	436	436	436			
Housing					2 352	2 352			
EPWP Incentive					2 457	2 457			
Other grant providers:	-	-	-	-	-	-	-	-	-
[insert description]									
Total Operating Transfers and Grants	55 183	62 589	77 609	92 656	97 465	97 465	107 758	132 404	135 434

1.2.1. Operational revenue assumptions – tariffs

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the municipality

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of both Eskom and Sedibeng Water bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and water, these tariffs are largely outside the control of the municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions.

1.2.2. Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of all residential properties and of all properties used for multiple purposes, provided one or more components of

such properties are used for residential purposes, is exempt from the payment of rates in terms of Section 17(1)(h) of the Property Rates Act.

- 100% rebate will granted to registered indigents in terms of the Indigent Policy

Table 5 Comparison of proposed rates to be levied for the 2014/15 financial year

Category	Current Tariff (01 July 2013)	Proposed Tariff (from 01 July 2014)
	c	c
Residential properties	0.00721	0.0076426
State owned properties	0.0132	0.0132
Business & Commercial	0.01461	0.0154866
Agricultural	0.00721	0.0076426
Industrial	0.01461	0.0154866
Mines	0.01461	0.0154866

1.2.3 Sales of Water and Impact of Tariff Increases

South Africa in general faces similar challenges with regard to water supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of water infrastructure, water networks and the operational cost
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

A tariff increase of 11 per cent from 1 July 2014 for water is proposed. This is based on input cost assumption of 8.80 percent increase in the cost of bulk water (Sedibeng Water) and cost related to renewal of water infrastructure. In addition 6kl of water per 30 day period will again be granted for free to all the registered indigents.

Table 6 Proposed Water Tariffs

Category	Current Tariffs 2013/14	Proposed Tariffs 2014/15
Residential	Rand per kl	Rand per kl
0 – 10 kl	4.06	4.51
10 – 20 kl	5.07	5.63
> 20 kl	9.69	10.76
Business		
0 – 10 kl	10.14	11.26
10 – 20 kl	13.12	14.56
> 20 kl	17.90	19.87
Industrial		
0 – 10 kl	14.33	15.91
10 – 20 kl	17.30	19.20
> 20 kl	20.88	23.18

1.2.4. Sanitation and Impact of Tariff Increase

A tariff increase of 6 percent for sanitation from 1 July 2014 is proposed

Table 7 Comparison between current sanitation charges and increases

Categories	Current Tariffs 2013/14	Proposed Tariffs 2014/15
Residential		
Availability charge	53.50	56.71
Basic charge	53.50	56.71
Charge per Toilet	74.00	78.44
Business		
Availability charge	61.50	65.19
Basic charge	61.50	65.19
Charge per Toilet	132.00	139.92

1.2.6 Refuse and Impact of Tariff Increases

A tariff increase of 6 percent for sanitation from 1 July 2014 is proposed

Table 8 Comparison between current sanitation charges and increases

Categories	Current Tariffs 2013/14	Proposed Tariffs 2014/15
Van Zylsrus		
Residential	21.50	22.79
Business (per container)	44.62	47.30
Hotazel		
Availability charge	36.70	38.90
Basic charge	36.70	38.90
Basic removal charge	108.30	114.80

The tariffs for 2013/14 MTREF are based on the following assumptions:

- That the demand for services will remain at the same levels, meaning that consumers will continue consuming at the same quantities as the previous period
- That the paying customers will continue paying for their services and those who cannot afford will register as indigents and benefit from free basic services
- That credit control policy will be applied to prevent customers in accumulating debt without paying the municipality and entering into a repayment arrangement with the municipality's finance department
- That non-paying customers including indigents who consume more than the approved quantum will be disconnected from services in line with the credit control policy until acceptable arrangements/payments are made
- That the municipality will take a conservative approach on tariff hike taking into account affordability and inflation

- That no surcharges will be implemented in their near future for all services
- That consumers will continue to switch over from post-paid to prepaid electricity metering
- That the municipality will charge a basic charge for the first 6kl of water which was sold at zero (0)-tariff previously and that indigent person will be fully subsidized for the same. This will be re-invested in water services – maintenance of infrastructure
- That the average tariff increases will be as affordable as possible.

1.3 Operating Expenditure Framework

The Municipality's expenditure framework for the 2014/15 budget and MTREF is informed by the following:

- Budgetary constraints (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- Funding compliance Budget Circular 42
- Operational gains and efficiencies will be directed to funding repairs and maintenance;
- Strict adherences to the principle of no project plan *no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2014/15 budget and MTREF (classified per main type of operating expenditure):

Table 9 Summary of operating expenditure by standard classification item

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Expenditure By Type										
Employee related costs	22,897	36,563	27,633	35,713	34,457	34,457	34,457	44,686	47,864	51,446
Remuneration of councillors	4,834	9,284	6,718	7,438	6,366	6,366	6,366	8,226	8,670	9,138
Debt impairment		56,089	32,578	170	170	170	170	1,213	1,279	1,348
Depreciation & asset impairment	67,924	67,954	26,169	5,615	3,000	3,000	3,000	8,000	8,432	8,887
Finance charges	467	2,402	96	900	839	839	839	884	890	895
Bulk purchases	–	6,306	8,926	11,006	10,306	10,306	10,306	11,169	12,066	13,035
Other materials								–	–	–
Contracted services	–	–	–	6,106	11,100	11,100	11,100	4,636	5,904	6,282
Transfers and grants	31,235	66,067	107,880	–	–	–	–	–	–	–
Other expenditure	24,517	43,784	57,575	32,750	49,018	49,018	49,018	27,675	39,674	40,781
Loss on disposal of PPE										
Total Expenditure	151,874	288,449	267,575	99,699	115,255	115,255	115,255	106,489	124,779	131,813

The budgeted allocation for employee related costs for the 2014/15 financial year totals R44.7 million, which equals 41.96 per cent of the total operating expenditure. The previous year's collective SALGBC wage increase averaged above inflation. Salary increases have been factored into this budget at a percentage increase of 6.85 per cent for the 2014/15 financial year. An annual increase of 6.4 per cent has been included in the two outer years of the MTREF. The municipality have made provision for 12 employees for sewerage and refuse under community services which was contracted with service provide to be incorporate to the organisational structure as the contract have come to an end.

In addition to the above there are new positions to be filled under certain departments; Municipal Manager's office two positions, Budget and Treasury eight positions, Corporate Services four positions, Community Services six positions, Planning & Development one position, Technical Services two position and Water Unit seventeen position.

The cost associated with the remuneration of Councillors is determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent

proclamation in this regard has been taken into account in compiling the municipality's budget.

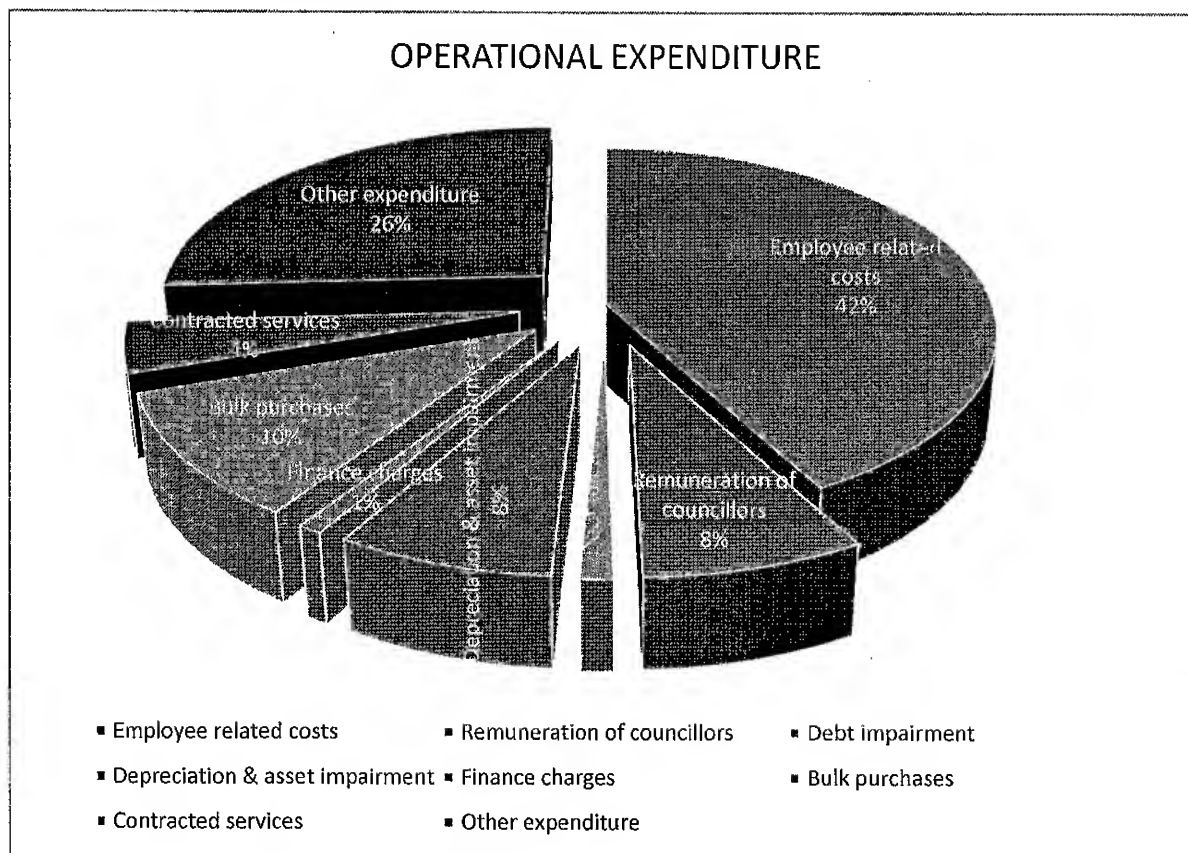
The provision of debt impairment was determined based on an annual collection rate of 95 percent and the Debt Write-off Policy of the municipality. For the 2014/15 financial year this amount equates to R1.2 million and escalates to R1.3 million by 2016/17. While this expenditure is considered to be a non-cash flow item, it informed the total cost related to rendering the services of the municipality, as well as the municipality's realistically expected revenues to be collected.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 0.83 percent (R0.9 million) of operating expenditure for 2014/15 and increases to R0.9 million by 2016/17.

Bulk purchases are directly informed by the purchase of electricity from Eskom and bulk water from Sedibeng Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been investigated as a possible avenue where savings and efficiencies can be achieved but the cost under these items are relatively fixed due to the fact that we were already very conservative when drafting the budget, growth has been limited to average increase of 6 per cent for 2014/15 unless there was a specific reason for such line item to be more than inflation.

The following table gives a breakdown of main expenditure categories for the year 2014/15 financial year.



1.3.1 Repairs and Maintenance

Table 10 Repairs and Maintenance per asset class

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Repairs and Maintenance by Asset Class									
Infrastructure - Road transport	-	724	384	220	220	220	205	234	241
Infrastructure - Electricity	-	-	-	-	215	215	200	224	230
Infrastructure - Water	-	1,066	3,043	6,169	14,671	14,671	6,000	11,225	11,786
Infrastructure - Sanitation	-	-	-	76	31	31	135	195	205
Infrastructure - Other	-	-	-	54	52	52	310	327	344
Infrastructure	-	1,790	3,427	6,518	15,190	15,190	6,850	12,205	12,807
Community	-	942	719	56	56	56	80	84	89
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Other assets	-	2,625	4,369	2,660	2,562	2,562	725	1,268	1,301
TOTAL EXPENDITURE OTHER ITEMS	-	5,357	8,515	9,234	17,808	17,808	7,655	13,557	14,198

For the 2014/15 financial year, R6.8 million of total repairs and maintenance will be spent on infrastructure assets. Water infrastructure has received a significant

proportion of this allocation totalling up to R6 million, followed by other infrastructure by R 0.3 million, road and electricity infrastructure at R0.2 million each, and sanitation at R0.1 million. Community assets has been allocated R0.08 million and other assets has been allocated R0.7 million of total repairs and maintenance.

1.4 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 11 2013/14 Medium-term capital budget per vote

Vote Description	Current Year 2013/14		2014/15 Medium Term Revenue & Expenditure Framework					
	R thousand	Adjusted Budget	%	Budget Year 2014/15	%	Budget Year +1 2015/16	%	Budget Year +2 2016/17
Executive and council	1,320		1.10%	22	0.02%	—	0.00%	—
Budget and treasury office	669		0.56%	400	0.30%	332	0.22%	308
Corporate services	188		0.16%	905	0.68%	7,130	4.66%	145
Community and social services	6,948		5.82%	12,446	9.40%	8,523	5.57%	11,668
Sport and recreation			0.00%	8,559	6.47%	8,905	5.82%	9,298
Planning and development	2,710		2.27%	2,900	2.19%	3,264	2.13%	3,366
Road transport	26,590		22.25%	16,788	12.68%	17,000	11.11%	15,497
Water	69,060		57.80%	75,359	56.93%	86,318	56.39%	117,139
Waste water management	12,000		10.04%	15,000	11.33%	21,603	14.11%	9,298
Total Capital Expenditure - Standard	119,485		100%	132,378	100%	153,075	100%	166,721

For 2014/15 an amount of R95.6 million has been appropriated for the development of

Infrastructure, R18.4 million for community assets, and R8.0 million for other assets.

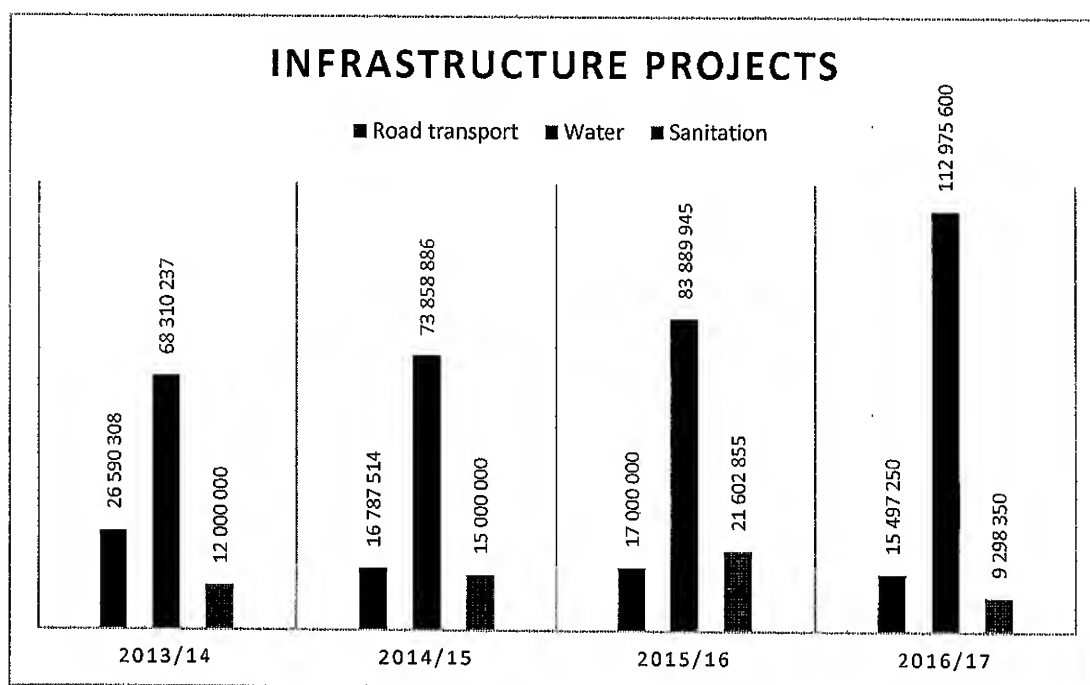
Capital budget for the 2014/15 financial year amounts to R132.4 Million with the main focus on the following:

- Provision of water R 73.9 Million
- Roads R 16.8 Million
- Sanitation R 15.0 Million
- Traffic Testing Centre R 1.4 Million
- Sports & Recreations R 8.6 Million
- Community Halls R 7.0 Million
- Cemeteries R 2.7 Million
- Vehicle R 0.7 Million

- Water Delivery & Sewerage Truck R 2.1 Million
- Motor Grader and Caravan R 2.9 Million
- Computers, Offices Equipment & Other R 0.5 Million
- Municipal Office Fencing R 0.5 million
- Office Partitioning R 0.3 Million

Capital projects for the 2014/15 financial year are funded from grants receivable from the National Government amounting to R 104.2 Million and own funding to the amount of R 28.2 Million.

The following graph provides a breakdown of capital budget to spent on infrastructure projects over the MTREF



1.5 Annual Budget Tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2014/15 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page

Table 12 – Table A1 Budget Summary

Description R thousands	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<u>Financial Performance</u>										
Property rates	–	3,116	6,786	11,684	11,684	11,684	11,684	7,194	7,582	7,991
Service charges	–	12,648	17,223	13,943	14,821	14,821	14,821	16,093	17,466	18,963
Investment revenue	893	1,303	3,508	–	450	450	450	–	–	–
Transfers recognised - operational	37,911	62,589	77,609	94,721	99,530	99,530	99,530	110,611	135,372	138,533
Other own revenue	377	23,489	3,255	986	1,179	1,179	1,179	764	1,036	1,058
Total Revenue (excluding capital transfers and contributions)	39,180	103,145	108,381	121,334	127,663	127,663	127,663	134,662	161,456	166,546
Employee costs	22,897	36,563	27,633	35,713	34,457	34,457	34,457	44,686	47,864	51,446
Remuneration of councillors	4,834	9,284	6,718	7,438	6,366	6,366	6,366	8,226	8,670	9,138
Depreciation & asset impairment	67,924	67,954	26,169	5,615	3,000	3,000	3,000	8,000	8,432	8,887
Finance charges	467	2,402	96	900	839	839	839	884	890	895
Materials and bulk purchases	–	6,306	8,926	11,006	10,306	10,306	10,306	11,169	12,066	13,035
Transfers and grants	31,235	66,067	107,880	–	–	–	–	–	–	–
Other expenditure	24,517	99,873	90,152	39,026	60,287	60,287	60,287	33,524	46,857	48,411
Total Expenditure	151,874	288,449	267,575	99,699	115,255	115,255	115,255	106,489	124,779	131,813
Surplus/(Deficit)	(112,694)	(185,305)	(159,193)	21,635	12,408	12,408	12,408	28,173	36,677	34,733
Transfers recognised - capital	60,318	65,513	120,974	60,224	98,498	98,498	98,498	104,205	116,398	131,979
Contributions recognised - capital & contributed assets	–	–	–	–	8,579	8,579	8,579	–	–	–
Surplus/(Deficit) after capital transfers & contributions	(52,375)	(119,791)	(38,219)	81,859	119,485	119,485	119,485	132,378	153,075	166,711
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(52,375)	(119,791)	(38,219)	81,859	119,485	119,485	119,485	132,378	153,075	166,711
<u>Capital expenditure & funds sources</u>										
Capital expenditure	20,336	2,656	196,778	81,859	119,485	119,485	119,485	132,378	153,075	166,721
Transfers recognised - capital	11,943	2,200	177,238	60,224	98,498	98,498	98,498	104,205	116,398	131,979
Public contributions & donations	–	–	15,462	–	8,579	8,579	8,579	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	8,392	456	4,078	21,635	12,408	12,408	12,408	28,173	36,677	34,742
Total sources of capital funds	20,336	2,656	196,778	81,859	119,485	119,485	119,485	132,378	153,075	166,721
<u>Financial position</u>										
Total current assets	37,281	54,964	39,103	25,552	29,968	29,968	29,968	11,340	9,247	14,285

Total non current assets	677,941	890,714	1,061,276	80,281	979,981	979,981	979,981	1,017,648	1,055,975	1,155,187
Total current liabilities	45,351	115,822	96,704	12,641	28,714	28,714	28,714	11,190	12,436	12,203
Total non current liabilities	3,147	5,406	5,087	9,659	11,665	11,665	11,665	4,387	3,737	3,087
Community wealth/Equity	666,724	824,450	998,588	83,533	969,570	969,570	969,570	1,013,411	1,049,049	1,154,182
Cash flows										
Net cash from (used) operating	31,008	(15,841)	(25,737)	82,104	130,871	130,871	130,871	138,533	144,732	155,488
Net cash from (used) investing	(22,879)	(2,674)	10,486	(80,241)	(127,095)	(127,095)	(127,095)	(133,973)	(139,049)	(149,403)
Net cash from (used) financing	(1,330)	2,394	(611)	(784)	(784)	(784)	(784)	(784)	(784)	(784)
Cash/cash equivalents at the year end	29,414	13,293	(2,568)	1,446	3,013	3,013	3,013	6,788	11,687	16,988
Cash backing/surplus reconciliation										
Cash and investments available	14,717	13,654	(2,568)	30	3,120	3,120	3,120	3,113	6,888	11,787
Application of cash and investments	1,737,265	153,264	201,590	(12,003)	(31,603)	(31,603)	(31,603)	148	6,738	6,153
Balance - surplus (shortfall)	(1,722,548)	(139,610)	(204,159)	12,033	34,722	34,722	34,722	2,965	150	5,634
Asset management										
Asset register summary (WDV)	677,597	890,352	1,061,276	90	979,981	979,981	1,017,648	1,017,648	1,055,975	1,155,187
Depreciation & asset impairment	67,924	67,954	26,169	5,615	3,000	3,000	8,000	8,000	8,432	8,887
Renewal of Existing Assets	-	-	-	500	200	-	-	10,000	15,000	15,000
Repairs and Maintenance	-	5,357	8,515	9,233	17,808	17,808	7,655	7,655	13,557	14,197
Free services										
Cost of Free Basic Services provided	-	-	-	1,923	1,915	1,915	2,011	2,011	2,119	2,234
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerag	3	3	3	3	3	3	3	3	3	3
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	22	22	22	22	22	22	22	22	22	22

Explanatory notes: Table A1 Budget Summary

- ✓ Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
- ✓ The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
- ✓ Financial management reforms emphasizes the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard: a. The operating surplus/deficit (after Total Expenditure) is positive over the next three years (MTREF)
- ✓ Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognized is reflected on the Financial Performance Budget;
 - ii. Internally generated funds are financed from a combination of the current operating surplus.

Table 13 – Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue - Standard									
<i>Governance and administration</i>	51,240	84,912	83,208	95,309	95,953	95,953	103,400	125,381	128,813
Executive and council	-	19,022	5,542	4,581	4,581	4,581	5,317	5,556	5,807
Budget and treasury office	51,115	64,973	77,210	90,423	91,066	91,066	97,827	119,584	122,775
Corporate services	126	918	455	305	305	305	256	241	231
<i>Community and public safety</i>	5,649	684	229	462	2,814	2,814	1,997	30	32
Community and social services	722	684	229	452	452	452	1,997	30	32
Sport and recreation	-	-	-	10	10	10	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Housing	4,927	-	-	-	2,352	2,352	-	-	-
Health	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	37,595	61,220	68,376	63,454	74,490	74,490	57,235	59,547	62,085
Planning and development	37,595	61,220	68,376	62,454	73,490	73,490	57,235	59,547	62,085
Road transport	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	1,000	1,000	1,000	-	-	-
Trading services	5,014	21,842	77,543	22,333	61,484	61,484	76,235	92,896	107,594
Electricity	-	7,467	5,177	6,751	6,751	6,751	7,249	7,785	8,360
Water	5,014	15,489	70,525	14,173	52,447	52,447	66,561	82,555	96,541
Waste water management	-	(1,844)	1,188	839	1,424	1,424	1,510	1,591	1,677
Waste management	-	729	652	571	863	863	915	964	1,016
<i>Other</i>	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	99,498	168,658	229,356	181,557	234,741	234,741	238,867	277,854	298,524
Expenditure - Standard									
<i>Governance and administration</i>	86,157	102,158	114,063	48,084	50,908	50,908	53,014	58,313	61,419
Executive and council	9,487	74,182	46,231	18,523	14,741	14,741	16,106	17,633	17,967
Budget and treasury office	70,575	10,732	16,980	16,785	22,232	22,232	25,010	26,433	27,904
Corporate services	6,095	17,244	50,852	12,776	13,935	13,935	11,898	14,248	15,548
<i>Community and public safety</i>	9,333	(8,032)	3,308	7,358	9,716	9,716	9,646	9,706	10,301
Community and social services	4,406	6,969	6,322	7,358	7,364	7,364	9,646	9,706	10,301
Sport and recreation	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Housing	4,927	(15,001)	(3,014)	-	2,352	2,352	-	-	-
Health	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	29,890	126,315	32,873	18,729	18,844	18,844	8,505	12,696	13,170
Planning and development	29,890	126,315	32,873	17,729	17,844	17,844	8,505	12,696	13,170
Road transport	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	1,000	1,000	1,000	-	-	-

<i>Trading services</i>	26,494	68,008	117,331	25,528	35,787	35,787	35,324	44,063	46,924
Electricity	-	3,540	2,194	-	-	-	6,688	7,235	7,807
Water	26,494	64,468	115,137	25,528	35,787	35,787	28,636	36,828	39,117
Waste water management	-	-	-	-	-	-	-	-	-
Waste management	-	-	-	-	-	-	-	-	-
<i>Other</i>	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	151,874	288,449	267,575	99,699	115,255	115,255	106,489	124,779	131,813
Surplus/(Deficit) for the year	(52,375)	(119,791)	(38,219)	81,859	119,485	119,485	132,378	153,075	166,711

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.

Note that as a general principle the revenues for the Trading Services should exceed their expenditures.

Table 14 – Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue by Vote									
Vote 1 - Executive & Council	-	19,022	5,542	4,581	4,581	4,581	5,317	5,556	5,807
Vote 2 - Budget & Treasury Office	51,115	64,973	77,210	90,423	91,066	91,066	97,827	119,584	122,775
Vote 3 - Corporate Support Services	126	918	455	305	305	305	256	241	231
Vote 4 - Community Services	722	(430)	2,069	25,159	17,101	17,101	4,422	2,585	2,725
Vote 5 - Technical Services	37,595	60,302	62,668	12,110	28,978	28,978	57,211	59,522	62,058
Vote 6 - Electricity Services	-	7,467	5,177	6,751	6,751	6,751	7,249	7,785	8,360
Vote 7 - Water Services	9,941	15,489	70,525	41,209	82,483	82,483	66,561	82,555	96,541
Vote 8 - Development & Town Planning Services	-	918	5,709	1,019	3,476	3,476	24	25	27
Vote 9 - [NAME OF VOTE 09]	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]	-	-	-	-	-	-	-	-	-
Total Revenue by Vote	99,498	168,658	229,356	181,557	234,741	234,741	238,867	277,854	298,524
Expenditure by Vote to be appropriated									
Vote 1 - Executive & Council	9,487	74,182	46,231	17,723	14,741	14,741	16,106	17,633	17,967
Vote 2 - Budget & Treasury Office	70,575	10,732	16,980	16,785	22,232	22,232	25,010	26,433	27,904
Vote 3 - Corporate Support Services	6,095	17,244	50,852	12,776	13,935	13,935	11,898	14,248	15,548
Vote 4 - Community Services	4,406	(8,032)	3,308	7,358	9,716	9,716	9,646	9,706	10,301
Vote 5 - Technical Services	25,931	107,534	26,788	6,764	4,073	4,073	5,833	5,843	6,142
Vote 6 - Electricity Services	-	3,540	2,194	6,004	6,771	6,771	6,688	7,235	7,807
Vote 7 - Water Services	31,421	64,468	115,137	26,317	35,787	35,787	28,636	36,828	39,117
Vote 8 - Development & Town Planning Services	3,960	18,781	6,085	5,972	8,000	8,000	2,672	6,853	7,028
Vote 9 - [NAME OF VOTE 09]	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]	-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	151,874	288,449	267,575	99,699	115,255	115,255	106,489	124,779	131,813
Surplus/(Deficit) for the year	(52,375)	(119,791)	(38,219)	81,859	119,485	119,485	132,378	153,075	166,711

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the total budgeted operating and capital expenditure performance in relation to the organisational structure of the municipality. This table also presents the overall surplus of the municipality for each budget year. The operating expenditure is

separately presented on table A4 and the capital expenditure presented on table A5

➤ **Table 15 – Table A4 Budgeted Financial Performance (revenue and expenditure)**

Description R thousand	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source										
Property rates	–	3,116	6,786	11,684	11,684	11,684	11,684	7,194	7,582	7,991
Property rates - penalties & collection charges										
Service charges - electricity revenue	–	7,467	5,177	6,751	6,751	6,751	6,751	7,249	7,785	8,360
Service charges - water revenue	–	6,295	10,253	5,783	5,783	5,783	5,783	6,419	7,125	7,909
Service charges - sanitation revenue	–	(1,844)	1,141	839	1,424	1,424	1,424	1,510	1,591	1,677
Service charges - refuse revenue	–	729	652	571	863	863	863	915	964	1,016
Service charges - other										
Rental of facilities and equipment	–	37	171	66	258	258	258	95	98	101
Interest earned - external investments	893	1,303	3,508		450	450	450			
Interest earned - outstanding debtors								50	53	56
Dividends received										
Fines										
Licences and permits										
Agency services										
Transfers recognised - operational	37,911	62,589	77,609	94,721	99,530	99,530	99,530	110,611	135,372	138,533
Other revenue	377	23,451	3,084	920	920	920	920	619	885	902
Gains on disposal of PPE										
Total Revenue (excluding capital transfers and contributions)	39,180	103,145	108,381	121,334	127,663	127,663	127,663	134,662	161,456	166,546
Expenditure By Type										
Employee related costs	22,897	36,563	27,633	35,713	34,457	34,457	34,457	44,686	47,864	51,446
Remuneration of councillors	4,834	9,284	6,718	7,438	6,366	6,366	6,366	8,226	8,670	9,138
Debt impairment		56,089	32,578	170	170	170	170	1,213	1,279	1,348
Depreciation & asset impairment	67,924	67,954	26,169	5,615	3,000	3,000	3,000	8,000	8,432	8,887
Finance charges	467	2,402	96	900	839	839	839	884	890	895
Bulk purchases	–	6,306	8,926	11,006	10,306	10,306	10,306	11,169	12,066	13,035
Other materials								–	–	–
Contracted services	–	–	–	6,106	11,100	11,100	11,100	4,636	5,904	6,282
Transfers and grants	31,235	66,067	107,880	–	–	–	–	–	–	–
Other expenditure	24,517	43,784	57,575	32,750	49,018	49,018	49,018	27,675	39,674	40,781
Loss on disposal of PPE										
Total Expenditure	151,874	288,449	267,575	99,699	115,255	115,255	115,255	106,489	124,779	131,813
Surplus/(Deficit)										

	(112,694)	(185,305)	(159,193)	21,835	12,408	12,408	12,408	28,173	36,677	34,733
Transfers recognised - capital	60,318	65,513	120,974	60,224	98,498	98,498	98,498	104,205	116,398	131,979
Contributions recognised - capital	–	–	–	–	8,579	8,579	8,579	–	–	–
Contributed assets										
Surplus/(Deficit) after capital transfers & contributions	(52,375)	(119,791)	(38,219)	81,859	119,485	119,485	119,485	132,378	153,075	166,711
Taxation										
Surplus/(Deficit) after taxation	(52,375)	(119,791)	(38,219)	81,859	119,485	119,485	119,485	132,378	153,075	166,711
Attributable to minorities										
Surplus/(Deficit) attributable to municipality	(52,375)	(119,791)	(38,219)	81,859	119,485	119,485	119,485	132,378	153,075	166,711
Share of surplus/ (deficit) of associate										
Surplus/(Deficit) for the year	(52,375)	(119,791)	(38,219)	81,859	119,485	119,485	119,485	132,378	153,075	166,711

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

Total operating revenue is R 134.7 Million for 2014/15 and increase to R166.5 Million by 2016/17.

Revenue to be generated from property rates is R7.2 Million in the 2014/15 and increase to R8 million by 2016/17 financial year.

Services charges relating to electricity, water, sanitation and refuse removal constitutes R16.1 million in 2014/15 and increases to R19 million in 2016/17. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.

Transfers recognised – operating income includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are increasing.

The total operational expenditure amounts to R 106.5 million for 2014/15 and escalate to R131.8 million by 2016/17.

Table 16 – Table A5 Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description R thousand	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<u>Capital expenditure - Vote</u>										
<u>Multi-year expenditure to be appropriated</u>										
Vote 1 - Executive & Council	-	-	-	-	-	-	-	-	-	-
Vote 2 - Budget & Treasury Office	-	-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Support Services	-	-	-	-	-	-	-	-	-	-
Vote 4 - Community Services	-	-	-	23,288	12,000	12,000	12,000	23,559	30,508	18,597
Vote 5 - Technical Services	-	-	15,462	9,723	18,011	18,011	18,011	16,788	17,000	15,497
Vote 6 - Electricity Services	-	-	-	-	-	-	-	-	-	-
Vote 7 - Water Services	-	-	56,639	27,036	30,036	30,036	30,036	13,859	8,890	24,796
Vote 8 - Development & Town Planning Services	-	-	-	4,385	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 09]	-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]	-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	-	-	72,102	64,432	60,047	60,047	60,047	54,205	56,398	58,890
<u>Single-year expenditure to be appropriated</u>										
Vote 1 - Executive & Council	-	2,200	8,042	1,900	1,320	1,320	1,320	22	-	-
Vote 2 - Budget & Treasury Office	770	-	-	177	669	669	669	400	332	308
Vote 3 - Corporate Support Services	277	456	512	80	188	188	188	905	7,130	145
Vote 4 - Community Services	1,155	-	11,470	9,815	6,948	6,948	6,948	12,446	8,523	11,668
Vote 5 - Technical Services	6,376	-	49,537	3,085	11,191	11,191	11,191	2,900	3,264	3,366
Vote 6 - Electricity Services	-	-	6,280	-	-	-	-	-	-	-
Vote 7 - Water Services	11,440	-	48,510	2,370	39,024	39,024	39,024	61,500	77,428	92,343
Vote 8 - Development & Town Planning Services	317	-	326	-	99	99	99	-	-	-
Vote 9 - [NAME OF VOTE 09]	-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]	-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total	20,336	2,656	124,676	17,427	59,438	59,438	59,438	78,173	96,677	107,831
Total Capital Expenditure - Vote	20,336	2,656	196,778	81,859	119,485	119,485	119,485	132,378	153,075	166,721
<u>Capital Expenditure - Standard</u>										
Governance and administration	1,047	2,656	8,554	2,157	2,176	2,176	2,176	1,327	7,462	453
Executive and council		2,200	8,042	1,900	1,320	1,320	1,320	22	-	-
Budget and treasury office	770			177	669	669	669	400	332	308
Corporate services	277	456	512	80	188	188	188	905	7,130	145
Community and public safety	1,155	-	-	18,103	6,948	6,948	6,948	21,004	17,428	20,967

Community and social services	1,155			9,815	6,948	6,948	6,948	12,446	8,523	11,668
Sport and recreation				8,288				8,559	8,905	9,298
Public safety										
Housing										
Health										
Economic and environmental services	6,693	–	65,325	17,193	29,301	29,301	29,301	19,688	20,264	18,863
Planning and development	6,693		326	7,470	2,710	2,710	2,710	2,900	3,264	3,366
Road transport			64,999	9,723	26,590	26,590	26,590	16,788	17,000	15,497
Environmental protection										
Trading services	11,440	–	122,899	44,406	81,060	81,060	81,060	90,359	107,921	126,437
Electricity			6,280							
Water	11,440		105,149	29,406	69,060	69,060	69,060	75,359	86,318	117,139
Waste water management			11,470	15,000	12,000	12,000	12,000	15,000	21,603	9,298
Waste management										
Other										
Total Capital Expenditure - Standard	20,336	2,656	196,778	81,859	119,485	119,485	119,485	132,378	153,075	166,721
Funded by:										
National Government	11,943	–	162,915	60,224	98,498	98,498	98,498	104,205	116,398	131,979
Provincial Government										
District Municipality										
Other transfers and grants		2,200	14,322							
Transfers recognised - capital	11,943	2,200	177,238	60,224	98,498	98,498	98,498	104,205	116,398	131,979
Public contributions & donations			15,462		8,579	8,579	8,579			
Borrowing										
Internally generated funds	8,392	456	4,078	21,635	12,408	12,408	12,408	28,173	36,677	34,742
Total Capital Funding	20,336	2,656	196,778	81,859	119,485	119,485	119,485	132,378	153,075	166,721

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.

Capital expenditure has been appropriated at R 132.4 million for the 2014/15 financial year and increases over the MTREF to R 153.1 million and R 166.7 million respectively for the two outer years.

Unlike multi-year capital appropriations, all of our capital projects are expected to be completed with a single year 2014/2015. Included in our single-year appropriations is an expenditure that will be incurred in the 2014/15 budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.

The capital programme is funded from National Treasury capital transfers and internally generated funds from current year surpluses.

Table 17- Table A6 Budget Financial position

Description R thousand	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
ASSETS										
Current assets										
Cash	1,044	13,293	2,008	30	3,031	3,031	3,031	3,013	6,788	11,687
Call investment deposits	18,883	–	–	–	89	89	89	100	100	100
Consumer debtors	3,899	15,368	19,126	25,457	25,457	25,457	25,457	6,727	809	898
Other debtors	12,226	24,182	16,657	66	66	66	66			
Current portion of long-term receivables										
Inventory	1,229	2,121	1,312		1,326	1,326	1,326	1,500	1,550	1,600
Total current assets	37,281	54,964	39,103	25,552	29,968	29,968	29,968	11,340	9,247	14,285
Non current assets										
Long-term receivables										
Investments	344	362	–							
Investment property		3,085	3,085		3,085	3,085	3,085	3,085	3,085	3,085
Investment in Associate										
Property, plant and equipment	677,579	887,240	1,058,169	80,191	976,446	976,446	976,446	1,014,183	1,052,758	1,151,793
Agricultural										
Biological										
Intangible	18	28	23	90	450	450	450	380	132	308
Other non-current assets										
Total non current assets	677,941	890,714	1,061,276	80,281	979,981	979,981	979,981	1,017,648	1,055,975	1,155,187
TOTAL ASSETS	715,222	945,678	1,100,379	105,833	1,009,949	1,009,949	1,009,949	1,028,988	1,065,222	1,169,472
LIABILITIES										
Current liabilities										
Bank overdraft	5,553	–	4,577							
Borrowing	277	611	627	784	784	784	784	784	784	784
Consumer deposits										
Trade and other payables	36,079	114,691	90,855	7,150	19,223	19,223	19,223	9,760	11,007	10,774
Provisions	3,441	519	645	4,706	8,706	8,706	8,706	645	645	645
Total current liabilities	45,351	115,822	96,704	12,641	28,714	28,714	28,714	11,190	12,436	12,203
Non current liabilities										
Borrowing	3,147	4,163	3,536	5,744	7,750	7,750	7,750	2,836	2,186	1,536
Provisions	–	1,244	1,551	3,915	3,915	3,915	3,915	1,551	1,551	1,551
Total non current liabilities	3,147	5,406	5,087	9,659	11,665	11,665	11,665	4,387	3,737	3,087
TOTAL LIABILITIES	48,498	121,228	101,791	22,300	40,379	40,379	40,379	15,577	16,173	15,290
NET ASSETS	666,724	824,450	998,588	83,533	969,570	969,570	969,570	1,013,411	1,049,049	1,154,182

COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)	666,724	824,450	998,588	83,533	969,570	969,570	969,570	1,013,411	1,049,049	1,154,182
Reserves	-	-	-	-	-	-	-	-	-	-
Minorities' interests	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	666,724	824,450	998,588	83,533	969,570	969,570	969,570	1,013,411	1,049,049	1,154,182

Explanatory notes to Table A6 - Budgeted Financial Position

Table A6 is consistent with international standards of good financial management practice, and improves understand-ability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).

This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 18- Table A7 Budgeted Cash Flow

Description R thousand	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and other	(39,728)	(38,283)	(84,374)	19,971	44,825	44,825	44,825	22,708	24,597	26,424
Government - operating	89,765	61,664	77,609	94,721	99,530	99,530	99,530	110,611	135,372	138,533
Government - capital	24,049	67,916	103,912	60,224	98,498	98,498	98,498	107,209	104,205	116,398
Interest	893	1,303	3,508		643	643	643	40	42	44
Dividends										
Payments										
Suppliers and employees	(43,504)	(106,039)	(126,296)	(91,912)	(112,570)	(112,570)	(112,570)	(101,935)	(119,379)	(125,801)
Finance charges	(467)	(2,402)	(96)	(900)	(55)	(55)	(55)	(100)	(105)	(111)
Transfers and Grants										
NET CASH FROM/(USED) OPERATING ACTIVITIES	31,008	(15,841)	(25,737)	82,104	130,871	130,871	130,871	138,533	144,732	155,488
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE			206,903							
Decrease (Increase) in non-current debtors										
Decrease (increase) other non-current receivables										
Decrease (increase) in non-current investments	(17)	(18)	362							
Payments										
Capital assets	(22,862)	(2,656)	(196,778)	(80,241)	(127,095)	(127,095)	(127,095)	(133,973)	(139,049)	(149,403)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(22,879)	(2,674)	10,486	(80,241)	(127,095)	(127,095)	(127,095)	(133,973)	(139,049)	(149,403)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans										
Borrowing long term/refinancing										
Increase (decrease) in consumer deposits										
Payments										
Repayment of borrowing	(1,330)	2,394	(611)	(784)	(784)	(784)	(784)	(784)	(784)	(784)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(1,330)	2,394	(611)	(784)	(784)	(784)	(784)	(784)	(784)	(784)
NET INCREASE/ (DECREASE) IN CASH HELD	6,799	(16,121)	(15,861)	1,079	2,992	2,992	2,992	3,775	4,899	5,301
Cash/cash equivalents at the year begin:	22,615	29,414	13,293	367	21	21	21	3,013	6,788	11,687
Cash/cash equivalents at the year end:	29,414	13,293	(2,568)	1,446	3,013	3,013	3,013	6,788	11,687	16,988

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

The budgeted cash flow statement is the first measurement in determining if the budget is funded. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

Table 19- Table A8 Budgeted Cash Flow Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Cash and investments available										
Cash/cash equivalents at the year end	29,414	13,293	(2,568)	1,446	3,013	3,013	3,013	6,788	11,687	16,988
Other current investments > 90 days	(15,041)	(0)	(0)	(1,416)	107	107	107	(3,675)	(4,799)	(5,201)
Non current assets - investments	344	362	-	-	-	-	-	-	-	-
Cash and investments available:	14,717	13,654	(2,568)	30	3,120	3,120	3,120	3,113	6,888	11,787
Application of cash and investments										
Unspent conditional transfers	23,527	17,063	-	1,350	-	-	-	-	-	-
Unspent borrowing	-	-	-	-	-	-	-	-	-	-
Statutory requirements	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	1,713,738	136,202	201,590	(13,353)	(31,603)	(31,603)	(31,603)	148	6,738	6,153
Other provisions	-	-	-	-	-	-	-	-	-	-
Long term investments committed	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:	1,737,265	153,264	201,590	(12,003)	(31,603)	(31,603)	(31,603)	148	6,738	6,153
Surplus(shortfall)	(1,722,548)	(139,610)	(204,159)	12,033	34,722	34,722	34,722	2,965	150	5,634

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.

The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".

Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.

Table 20- Table A9 Asset Management

Description R thousand	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
CAPITAL EXPENDITURE									
<u>Total New Assets</u>	20,336	2,656	196,778	81,359	119,285	119,285	121,878	138,075	151,721
Infrastructure - Road transport	-	-	64,999	9,723	26,590	26,590	16,788	17,000	15,497
Infrastructure - Electricity	-	-	6,280	-	-	-	-	-	-
Infrastructure - Water	14,124	-	101,909	27,036	68,310	68,310	63,859	68,890	97,976
Infrastructure - Sanitation	-	-	11,470	15,000	12,000	12,000	15,000	21,603	9,298
Infrastructure - Other	111	-	-	-	-	-	-	-	-
Infrastructure	14,235	-	184,658	51,759	106,901	106,901	95,646	107,493	122,771
Community	1,981	-	-	13,768	5,490	5,490	18,354	16,928	18,667
Heritage assets	-	-	-	4,285	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Other assets	4,096	2,643	12,120	11,457	6,436	6,436	7,497	13,522	9,974
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	25	12	-	90	458	458	380	132	308
<u>Total Renewal of Existing Assets</u>	-	-	-	500	200	200	10,500	15,000	15,000
Infrastructure - Road transport	-	-	-	-	-	-	-	-	-
Infrastructure - Electricity	-	-	-	-	-	-	-	-	-
Infrastructure - Water	-	-	-	-	-	-	10,000	15,000	15,000
Infrastructure - Sanitation	-	-	-	-	-	-	-	-	-
Infrastructure - Other	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	10,000	15,000	15,000
Community	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	500	200	200	500	-	-
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	-	-	-	-	-	-	-	-	-
<u>Total Capital Expenditure</u>									

Infrastructure - Road transport	–	–	64,999	9,723	26,590	26,590	16,788	17,000	15,497
Infrastructure - Electricity	–	–	6,280	–	–	–	–	–	–
Infrastructure - Water	14,124	–	101,909	27,036	68,310	68,310	73,859	83,890	112,976
Infrastructure - Sanitation	–	–	11,470	15,000	12,000	12,000	15,000	21,603	9,298
Infrastructure - Other	111	–	–	–	–	–	–	–	–
Infrastructure	14,235	–	184,658	51,759	106,901	106,901	105,646	122,493	137,771
Community	1,981	–	–	13,768	5,490	5,490	18,354	16,928	18,667
Heritage assets	–	–	–	4,285	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	4,096	2,643	12,120	11,957	6,636	6,636	7,997	13,522	9,974
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	25	12	–	90	458	458	380	132	308
TOTAL CAPITAL EXPENDITURE - Asset class	20,336	2,656	196,778	81,859	119,485	119,485	132,378	153,075	166,721
ASSET REGISTER SUMMARY - PPE (WDV)									
Infrastructure - Road transport	534,740	852	851		761,090	761,090	704,110	649,550	640,551
Infrastructure - Electricity					6,054	6,054	5,847	5,252	4,973
Infrastructure - Water	161	153	28,346		78,806	78,806	145,026	202,882	294,003
Infrastructure - Sanitation	32,863				10,926	10,926	24,867	43,942	48,568
Infrastructure - Other	8	773,728	910,626		2,634	2,634	2,379	2,137	1,910
Infrastructure	567,773	774,732	939,822	–	859,509	859,509	882,229	903,764	990,004
Community	102,277				108,969	108,969	116,761	121,822	127,534
Heritage assets									
Investment properties	–	3,085	3,085	–	3,085	3,085	3,085	3,085	3,085
Other assets	7,530	112,508	118,346		7,969	7,969	15,193	27,171	34,256
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	18	28	23	90	450	450	380	132	308
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	677,597	890,352	1,061,276	90	979,981	979,981	1,017,648	1,055,975	1,155,187
EXPENDITURE OTHER ITEMS									
<u>Depreciation & asset impairment</u>	67,924	67,954	26,169	5,615	3,000	3,000	8,000	8,432	8,887
<u>Repairs and Maintenance by Asset Class</u>	–	5,357	8,515	9,233	17,808	–	7,655	13,557	14,197
Infrastructure - Road transport	–	724	384	220	220	–	205	234	241
Infrastructure - Electricity	–	–	–	–	215	–	200	224	230
Infrastructure - Water	–	1,066	3,043	6,169	14,671	–	6,000	11,225	11,786
Infrastructure - Sanitation	–	–	–	76	31	–	135	195	205
Infrastructure - Other	–	–	–	54	52	–	310	327	344

Infrastructure	–	1,790	3,427	6,518	15,190	–	6,850	12,205	12,807
Community	–	942	719	56	56	–	80	84	89
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	–	2,625	4,369	2,660	2,562	–	725	1,268	1,301
TOTAL EXPENDITURE OTHER ITEMS	67,924	73,311	34,684	14,849	20,808	3,000	15,655	21,989	23,085
<i>Renewal of Existing Assets as % of total capex</i>	0.0%	0.0%	0.0%	0.6%	0.2%	0.2%	7.9%	9.8%	9.0%
<i>Renewal of Existing Assets as % of deprecn"</i>	0.0%	0.0%	0.0%	8.9%	6.7%	6.7%	131.3%	177.9%	168.8%
<i>R&M as a % of PPE</i>	0.0%	0.6%	0.8%	11.5%	1.8%	0.0%	0.8%	1.3%	1.2%
<i>Renewal and R&M as a % of PPE</i>	0.0%	1.0%	1.0%	10815.0%	2.0%	0.0%	2.0%	3.0%	3.0%

Explanatory notes to Table A9 - Asset Management

Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.

National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The municipality doesn't meet the above recommendations

Table 21- Table A10 Basic Service Delivery Measurement

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Household service targets									
<u>Water:</u>									
Piped water inside dwelling	3,718	3,718	3,718	3,718	3,718	3,718	3,718	3,718	3,718
Piped water inside yard (but not in dwelling)									
Using public tap (at least min.service level)	18,048	18,048	18,048	18,048	18,048	18,048	18,048	18,048	18,048
Other water supply (at least min.service level)									
<i>Minimum Service Level and Above sub-total</i>	21,766	21,766	21,766	21,766	21,766	21,766	21,766	21,766	21,766
Using public tap (< min.service level)									
Other water supply (< min.service level)									
No water supply									
<i>Below Minimum Service Level sub-total</i>	–	–	–	–	–	–	–	–	–
Total number of households									

	21,766	21,766	21,766	21,766	21,766	21,766	21,766	21,766	21,766
<u>Sanitation/sewerage:</u>									
Flush toilet (connected to sewerage)									
Flush toilet (with septic tank)	2,131	2,131	2,131	2,131	2,131	2,131	2,131	2,131	2,131
Chemical toilet									
Pit toilet (ventilated)	18,254	18,254	18,254	18,254	18,254	18,254	18,254	18,254	18,254
Other toilet provisions (> min.service level)									
<i>Minimum Service Level and Above sub-total</i>	20,385	20,385	20,385	20,385	20,385	20,385	20,385	20,385	20,385
Bucket toilet	469	469	469	469	469	469	469	469	469
Other toilet provisions (< min.service level)									
No toilet provisions	2,432	2,432	2,432	2,432	2,432	2,432	2,432	2,432	2,432
<i>Below Minimum Service Level sub-total</i>	2,901	2,901	2,901	2,901	2,901	2,901	2,901	2,901	2,901
Total number of households	23,286	23,286	23,286	23,286	23,286	23,286	23,286	23,286	23,286
<u>Energy:</u>									
Electricity (at least min.service level)									
Electricity - prepaid (min.service level)	19,384	19,384	19,384	19,384	19,384	19,384	19,384	19,384	19,384
<i>Minimum Service Level and Above sub-total</i>	19,384	19,384	19,384	19,384	19,384	19,384	19,384	19,384	19,384
Electricity (< min.service level)									
Electricity - prepaid (< min. service level)									
Other energy sources									
<i>Below Minimum Service Level sub-total</i>	-	-	-	-	-	-	-	-	-
Total number of households	19,384	19,384	19,384	19,384	19,384	19,384	19,384	19,384	19,384
<u>Refuse:</u>									
Removed at least once a week	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581
<i>Minimum Service Level and Above sub-total</i>	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581
Removed less frequently than once a week									
Using communal refuse dump									
Using own refuse dump	19,146	19,146	19,146	19,146	19,146	19,146	19,146	19,146	19,146
Other rubbish disposal									
No rubbish disposal	2,707	2,707	2,707	2,707	2,707	2,707	2,707	2,707	2,707
<i>Below Minimum Service Level sub-total</i>	2,185	2,185	2,185	2,185	2,185	2,185	2,185	2,185	2,185
Total number of households	23,434	23,434	23,434	23,434	23,434	23,434	23,434	23,434	23,434
<u>Households receiving Free Basic Service</u>									
Water (6 kilolitres per household per month)				8	8	8	8,195	8,195	8,195
Sanitation (free minimum level service)									
Electricity/other energy (50kwh per household per month)				8	8	8	8,195	8,195	8,195
Refuse (removed at least once a week)									
<u>Cost of Free Basic Services provided (R'000)</u>									
Water (6 kilolitres per household per month)				158	100	100	105	111	117
Sanitation (free sanitation service)									
Electricity/other energy (50kwh per									

household per month)				1,765	1,815	1,815	1,906	2,009	2,117
Refuse (removed once a week)									
Total cost of FBS provided (minimum social package)	-	-	-	1,923	1,915	1,915	2,011	2,119	2,234
Highest level of free service provided									
Property rates (R value threshold)									
Water (kilolitres per household per month)									
Sanitation (kilolitres per household per month)									
Sanitation (Rand per household per month)									
Electricity (kwh per household per month)									
Refuse (average litres per week)									
Revenue cost of free services provided (R'000)									
Property rates (R15 000 threshold rebate)									
Property rates (other exemptions, reductions and rebates)									
Water									
Sanitation									
Electricity/other energy									
Refuse									
Municipal Housing - rental rebates									
Housing - top structure subsidies									
Other									
Total revenue cost of free services provided (total social package)	-	-	-	-	-	-	-	-	-

Explanatory notes to Table A10 - Basic Service Delivery Measurement

Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

The municipality continues to make good progress with the eradication of backlogs:

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the executive chairpersonship of Finance, Human Resource and Administration.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.2 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2013) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 14 August 2013. Key dates applicable to the process were:

- **September 2013** – preparation for IDP review process by communicating to IDP stakeholder forum

- **October 2013** – Held second IDP meeting with all the stakeholder. Engaged in comparison between 2012/13 IDP initiatives originating from strategic planning session. Formulating the key IDP priorities.
- **December 2013** - Community consultation and participation on the draft of the IDP
- **January 2014** - Align total budget with municipal IDP, National and Provincial priorities growth and Development plan. Approval of Sec 72 and Revised Budget for 2013/14.
- **February 2014** – Detailed departmental budget proposal (operating & capital) submitted to the Budget & Treasury Office for assessment and consolidations.
- **March 2014** – Held departmental budget meetings, Budget Steering Committee meetings. The draft budget for 2014/15 revised and tabled accordingly
- **April 2014** – Commence on public community consultations. Presentation of public participation results to council for inclusion into the 2014/15 final budget.
- **May 2014** – Final total budget proposal to be submitted to council for approval
- **June 2014** – Finalisation of top layer SDBIP's. Finalisation of departmental SDBIP's. Send approval IDP and budget to COGHSTA, Provincial and National Treasury.

2.3 Intergrated Development Plan

Integrated Development Planning is the process through which the municipality prepares a strategic developmental plan, which is the principal strategic instrument guiding all planning, management, budgeting, development and implementation decisions, taking into account inputs from all stakeholders.

For our planning and programmes to be effective all strategic planning within the municipality must take place within the framework of the IDP. Through integrated development planning different plans are integrated, coordinated and linked to the use of natural, financial, human and physical resources.

2.4 Community Consultation

The draft 2014/15 MTREF will be tabled before council on the 26 March 2014 together with community consultation time table. Consultation time table will be published in the municipal website and local newspaper and hard copies for draft budget will be available in the main municipal office and satellite offices and draft budget softcopy will be loaded on the municipal website (www.joemorolong.gov.za)

2.5 Overview of alignment of annual budget with IDP

The IDP crosses departmental divisions by linking the physical, social, institutional and economic components of planning and development with management and development structure. It also integrates and aligns planning in different spheres of government and therefore enforcing and upholding the spirit of co-operative governance in the public sector.

For our planning and programmes to be effective all strategic planning within the municipality must take place within the framework of the IDP. Through integrated development planning different plans are integrated, coordinated and linked to the use of natural, financial, human and physical resources.

The following IDP's five strategic objectives that have directly informed the compilation of 2014/15 MTREF budget

- Provide quality basic services to community
- Good governance and community participation
- Institutional Development and Transformation
- Local Economic Development
- Municipal Financial Viability

The following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 22 – Table SA4: Reconciliation between the IDP strategic objectives and budgeted revenue

Strategic Objective	Goal	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
Provide quality basic services to community Good governance and community participation	Provision of infrastructure for water, sanitation, waste management, electricity and roads	47,536	83,258	138,370	60,070	118,211	118,211	131,021	149,862	166,959
	Promote community involvement through planning, monitoring and budgeting processes. Engagement of ward committees to hold monthly meeting with communities		19,022	5,542	4,581	4,581	4,581	5,317	5,556	5,807
Institutional Development and Transformation	Addressing Auditor General queries as per the action plan to ensure improvement in audit opinion. Firm up on performance management system. Managing the interface between the administrative and political structures	126	1,835	6,164	1,324	3,781	3,781	280	266	258
Local Economic Development	Ensure sustainable rural economic growth; ensure that most of the municipal projects are implemented through labour intensive programme. Also ensure that atleast 30% of most municipal infrastructural projects are awarded to local emerging contractors	722	(430)	2,069	25,159	17,101	17,101	4,422	2,585	2,725
Municipal Financial Viability	Improved budgeting, revenue generation & protection, debtors control, grow and diversify revenue and value for money expenditure through an integrated financial plan	51,115	64,973	77,210	90,423	91,066	91,066	97,827	119,584	122,775
Allocations to other priorities										
Total Revenue (excluding capital transfers and contributions)		99,498	168,658	229,356	181,557	234,741	234,741	238,867	277,854	298,524

Table 23 – Table SA5: Reconciliation between the IDP strategic objectives and budgeted operating expenditure

Strategic Objective	Goal	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
Provide quality basic services to community	Provision of quality water, sanitation, waste management, electricity and roads	57,351	175,542	144,119	39,085	46,631	46,631	41,157	49,906	53,065
Good governance and community participation	Promote community involvement through planning, monitoring and budgeting processes. Engagement of ward committees to hold monthly meeting with communities	9,487	74,182	46,231	17,723	14,741	14,741	16,106	17,633	17,967
Institutional Development and Transformation	Addressing Auditor General queries as per the action plan to ensure improvement in audit opinion. Firm up on performance management system. Managing the interface between the administrative and political structures	10,054	36,025	56,937	18,747	21,935	21,935	14,570	21,101	22,576
Local Economic Development	Ensure sustainable rural economic growth; ensure that most of the municipal projects are implemented through labour intensive programme. Also ensure that atleast 30% of most municipal infrastructural projects are awarded to local emerging contractors	4,406	(8,032)	3,308	7,358	9,716	9,716	9,646	9,706	10,301
Municipal Financial Viability	Improved budgeting, revenue generation & protection, debtors control, grow and diversify revenue and value for money expenditure through an integrated financial plan	70,575	10,732	16,980	16,785	22,232	22,232	25,010	26,433	27,904
Allocations to other priorities										
Total Expenditure		151,874	288,449	267,575	99,699	115,255	115,255	106,489	124,779	131,813

Table 24 – Table SA6: Reconciliation between the IDP strategic objectives and budgeted capital expenditure

Strategic Objective	Goal	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
Provide quality basic services to community	Provision of quality water, sanitation, waste management, electricity and roads	17,816	–	176,429	42,214	98,262	98,262	95,046	106,582	136,002
Good governance and community participation	Promote community involvement through planning, monitoring and budgeting processes. Engagement of ward committees to hold monthly meeting with communities	–	2,200	8,042	1,900	1,320	1,320	22		
Institutional Development and Transformation	Addressing Auditor General queries as per the action plan to ensure improvement in audit opinion. Firm up on performance management system. Managing the interface between the administrative and political structures	594	456	838	4,465	286	286	905	7,130	145
Local Economic Development	Ensure sustainable rural economic growth; ensure that most of the municipal projects are implemented through labour intensive programme. Also ensure that atleast 30% of most municipal Infrastructural projects are awarded to local emerging contractors	1,155	–	11,470	33,103	18,948	18,948	36,004	39,031	30,265
Municipal Financial Viability	Improved budgeting, revenue generation & protection, debtors control, grow and diversify revenue and value for money expenditure through an integrated financial plan	770	–	–	177	669	669	400	332	308
Allocations to other priorities										
Total Capital Expenditure		20,336	2,656	196,778	81,859	119,485	119,485	132,378	153,075	166,721

2.6 Overview of draft budget related policies

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

a) Budget, Funding, Reserves and Virement Policy

The policy aim to set out; the principles which the municipality will follow in preparing each medium term revenue and expenditure framework budget, responsibilities of the mayor , the accounting officer , the chief financial officer and other senior managers in compiling the budget and to establish and maintain procedures to ensure adherence Joe Morolong Municipality's IDP review and budget processes.

b) Banking and Investment Policy

The policy aim to gain the optimal return on banking and investments, without incurring undue risks, during those periods when cash revenues are not needed for capital or operational purposes. The effectiveness of the policy is dependent on the accuracy of the municipality's cash management programme, which must identify the amounts surplus to the municipality's needs, as well as the time when and period for which such revenues are surplus.

c) Credit Control and Debt Collection Policy

The policy aim to maximize revenue by timeously collecting all moneys owed to the municipality; ensure that action are taken to recover arrear debt is warranted and fair; to enable Joe Morolong Local Municipality to develop and maintain a sustainable service delivery relationship with its customers; to deliver excellent service to the communities of Joe Morolong Local Municipality in return for payment of their rates and service accounts and encourage and inculcate the culture of payment.

d) Tariffs Policy

The policy aim to empower council with among other things, the levying of fees for municipal services provided by the municipality itself or by way of service delivery

2.7 Overview of draft budget funding

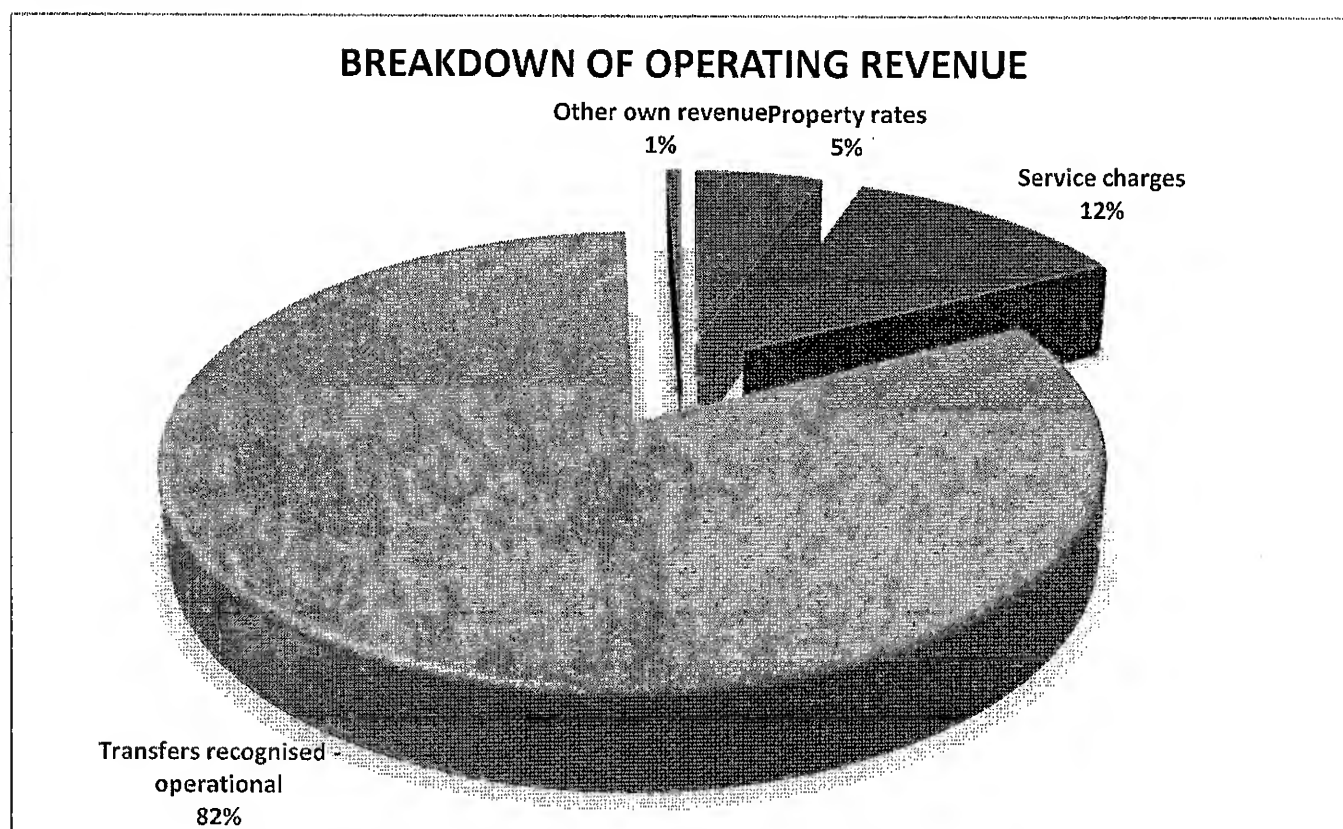
a) Operating Revenue

The following table is a breakdown of the operating revenue over medium term:

Table 25 – Breakdown of the operating revenue over medium term

Description R thousands	2014/15 Medium Term Revenue & Expenditure Framework					
	Budget Year 2014/15	%	Budget Year +1 2015/16	%	Budget Year +2 2016/17	%
Financial Performance						
Property rates	7,194	5.34%	7,582	4.70%	7,991	4.80%
Service charges	16,093	11.95%	17,466	10.82%	18,963	11.39%
Transfers recognised - operational	110,611	82.14%	135,372	83.84%	138,533	83.18%
Other own revenue	765	0.57%	1,036	0.64%	1,058	0.64%
Total Operating Revenue(excluding capital transfers and contributions)	134,662	100%	161,456	100%	166,546	100%
Total Operating Expenditure	106,489		124,779		131,813	
Surplus/(Deficit)	28,173		36,677		34,733	

The following graph is a breakdown of the operational revenue per main category for the 2014/15 financial year;



Tariff setting plays a major role in ensuring the desired level of revenue, even though the municipality is still dependent on grants. Getting the tariff setting right assist in the compilation of credible and funded budget. The municipality derives its operational revenue from provision of services namely: water, electricity, sanitation and solid waste removal including property rates. The operational grants plays a major role in the municipal budget funding.

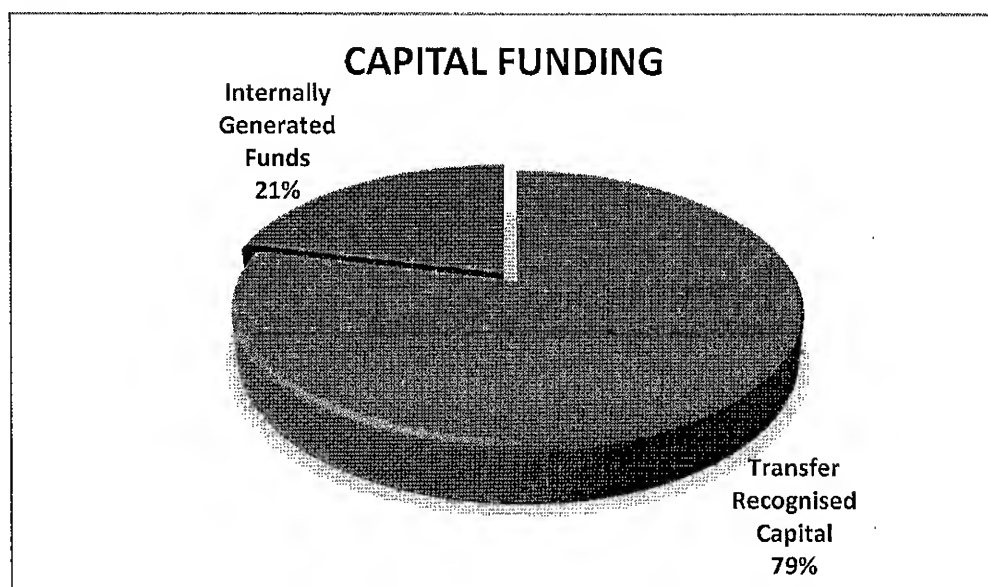
b) Capital Revenue

The following table is a breakdown of the capital revenue over medium term:

Table 26 – Breakdown of the capital funding over medium term

Description R thousands	2014/15 Medium Term Revenue and Expenditure Framework					
	Budget Year 2014/15	%	Budget Year +1 2015/16	%	Budget Year +2 2016/17	%
Funded by						
National Government	104,205		116,398		131,979	
Transfer Recognised Capital	104,205	78.72%	116,398	76.04%	131,979	79.16%
Internally Generated Funds	28,173	21.28%	36,677	23.96%	34,742	20.84%
Total Capital Funding	132,378	100%	153,075	100%	166,721	100%

The following graph represent the breakdown of the capital funding for the 2014/15 financial year;



Capital grants and receipts equates to 79% of the total funding source which represents R116.4 million for the 2014/15 financial year and steadily increase to R132.0 million or 79% per cent by 2016/17.

Table 27 – Table SA18: Breakdown of the capital funding over medium term

Description R thousand	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital Transfers and Grants									
National Government:	24,938	33,114	56,479	62,289	100,563	100,563	107,058	119,366	135,078
Municipal Infrastructure Grant (MIG)	24,938	33,114	56,479	55,253	55,253	55,253	57,058	59,366	61,898
Regional Bulk Infrastructure					38,274	38,274			
Municipal Water Infrastructure Grant				7,036	7,036	7,036	50,000	60,000	73,180
Provincial Government:	3,258	-	-	-	-	-	-	-	-
Roads	3,258								
Other grant providers:	18,367	32,399	64,495	-	8,579	8,579	-	-	-
Rural Household Infrastructure Grant	9,926	5,235	58,398						
ACIP Sanitation	8,441	27,164	6,098						
Sishen Mine (Roads)					8,579	8,579			
Total Capital Transfers and Grants	46,563	65,513	120,974	62,289	109,143	109,143	107,058	119,366	135,078

c) Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below provides understanding for Councillors and management. Some specific feature includes:

- Clear separation of receipts and payment by category
- Clear separation of government capital and operating receipts, which enables cash from ratepayers and other; to be provided for as cash inflow based on their actual performance and assist in determining collection rate for the municipality.
- Separation of borrowing and loan repayments.

Table 28 – Table A7: Budgeted cash flow management

Description R thousand	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and other	(39,728)	(38,283)	(84,374)	19,971	44,825	44,825	44,825	22,708	24,597	26,424
Government - operating	89,765	61,664	77,609	94,721	99,530	99,530	99,530	110,611	135,372	138,533
Government - capital	24,049	67,916	103,912	60,224	98,498	98,498	98,498	107,209	104,205	116,398
Interest	893	1,303	3,508		643	643	643	40	42	44
Dividends										
Payments										
Suppliers and employees	(43,504)	(106,039)	(126,296)	(91,912)	(112,570)	(112,570)	(112,570)	(101,935)	(119,379)	(125,801)
Finance charges	(467)	(2,402)	(96)	(900)	(55)	(55)	(55)	(100)	(105)	(111)
Transfers and Grants										
NET CASH FROM/(USED) OPERATING ACTIVITIES	31,008	(15,841)	(25,737)	82,104	130,871	130,871	130,871	138,533	144,732	155,488
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE			206,903							
Decrease (Increase) in non-current debtors										
Decrease (Increase) other non-current receivables										
Decrease (Increase) in non-current investments	(17)	(18)	362							
Payments										
Capital assets	(22,862)	(2,656)	(196,778)	(80,241)	(127,095)	(127,095)	(127,095)	(133,973)	(139,049)	(149,403)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(22,879)	(2,674)	10,486	(80,241)	(127,095)	(127,095)	(127,095)	(133,973)	(139,049)	(149,403)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans										
Borrowing long term/refinancing										
Increase (decrease) in consumer deposits										
Payments										
Repayment of borrowing	(1,330)	2,394	(611)	(784)	(784)	(784)	(784)	(784)	(784)	(784)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(1,330)	2,394	(611)	(784)	(784)	(784)	(784)	(784)	(784)	(784)
NET INCREASE/(DECREASE) IN CASH HELD	6,799	(16,121)	(15,861)	1,079	2,992	2,992	2,992	3,775	4,899	5,301
Cash/cash equivalents at the year begin:	22,615	29,414	13,293	367	21	21	21	3,013	6,788	11,687
Cash/cash equivalents at the year end:	29,414	13,293	(2,568)	1,446	3,013	3,013	3,013	6,788	11,687	16,988

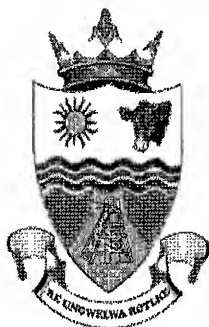
The table above shows that cash and cash equivalent of the municipality were largely exhausted by 2012/13 moving from positive cash balance of R 13.4 in 2011/12 to a deficit of R 2.6 million in 2012/13. With the compilation of 2013/14 approved budget and revised budget it moved from negative closing cash flow to positive closing cash flow. The 2014/15 MTREF show a steadily increase in cash and cash equivalent at the end of financial years.

Table 29 – Table SA10: Funding Compliance Measurement

Description	MFMA section	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Funding measures											
Cash equivalents at the year end - R'000	18(1)b	29,414	13,293	(2,568)	1,446	3,013	3,013	3,013	6,788	11,687	16,988
Cash + investments at the yr end less applications - R'000	18(1)b	(1,722,548)	(139,610)	(204,159)	12,033	34,722	34,722	34,722	2,965	150	5,634
Cash year end/monthly employee/supplier payments	18(1)b	9.6	1.2	(0.3)	0.2	0.4	0.4	0.4	1.0	1.5	2.1
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	(52,375)	(119,791)	(38,219)	81,859	119,485	119,485	119,485	132,378	153,075	166,711
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	N.A.	(6.0%)	46.3%	0.7%	(2.6%)	(6.0%)	(6.0%)	(18.1%)	1.6%	1.6%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	(10549.9%)	(97.5%)	(309.5%)	75.0%	161.9%	161.9%	161.9%	94.4%	94.3%	94.3%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	0.0%	355.0%	134.7%	0.7%	0.6%	0.6%	0.6%	5.2%	5.1%	5.0%
Capital payments % of capital expenditure	18(1)c;19	112.4%	100.0%	100.0%	98.0%	106.4%	106.4%	106.4%	101.2%	90.8%	89.6%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a								100.0%	100.0%	100.0%
Current consumer debtors % change - incr(decr)	18(1)a	N.A.	145.3%	(9.5%)	(28.7%)	0.0%	0.0%	0.0%	(73.6%)	(88.0%)	11.1%
Long term receivables % change - incr(decr)	18(1)a	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	0.0%	0.6%	0.8%	11.5%	1.8%	0.0%	0.8%	0.8%	1.3%	1.2%
Annual renewal % of capital budget	20(1)(vi)	0.0%	0.0%	0.0%	0.6%	0.2%	0.0%	0.0%	7.6%	9.8%	9.0%

2.8 Municipal Manager's Quality Certificate

JOE MOROLONG LOCAL MUNICIPALITY



JOE MOROLONG
LOCAL MUNICIPALITY

NC 451

QUALITY CERTIFICATE

I, Tshepo Macdonald Bloom, Municipal Manager of JOE MOROLONG LOCAL MUNICIPALITY, hereby certify that the Annual Budget and Supporting Documentation have been prepared in accordance with the Municipal Finance Management Act; (Act 56 of 2003) and regulations made under the act and that the Annual Budget are consistent with the Integrated Development Plan of the municipality.

PRINT NAME:

Tshepo Macdonald Bloom

Municipal Manager of JOE MOROLONG LOCAL MUNICIPALITY (NC 451)

Signature:

Tshepo Macdonald Bloom

Date :

27/03/14